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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 004091

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E.O. 12958: DECL: 12/08/2031

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SUBJECT: TAIWAN MAYORAL ELECTION SCENESETTER: DPP PULLING
OUT ALL STOPS TO SALVAGE A SPLIT

Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

11. (C) Summary: Voters in Taipei and Kaohsiung will elect mayors in Taiwan's two largest cities this Saturday December 19. The KMT is expected to easily retain control of Taipei, where supporters of the KMT substantially outnumber those of the DPP. Under DPP rule for the past eight years, Kaohsiung is still uncertain but most polls show the contest leaning toward the KMT; the outcome there will determine whether the elections overall are judged a victory for the ruling party or the opposition. Top DPP and KMT leaders, including President Chen Shui-bian and KMT Chairman Ma Ying-jeou are pulling out all stops as they campaign in the final battle for Kaohsiung. Both parties view the Kaohsiung election as important to their hopes to win critical legislative and presidential elections in 2007-2008. The DPP also fears that a defeat in its southern "Green heartland" bastion will exacerbate internal rifts generated by the corruption scandals surrounding President Chen, further reducing the party's competitiveness. End Summary.

Taipei to Stay in KMT Hands

12. (C) Kuomintang (KMT) candidate Hau Lung-bin is expected to win the Taipei mayoral election by a comfortable margin over Democratic Progressive Party (DPP) candidate Frank Hsieh and People First Party (PFP) Chairman James Soong, running as an independent. Tai Li-an, Global Views Survey Research Center Director, told AIT that the election situation in Taipei is stable. His most recent projections show Hau winning 53.5 percent of the vote, Hsieh 39.5 percent, Soong 4.5 percent, and three other minor candidates together 2.5 percent. Taiwan bookies, who base their odds on information collected from an extensive network of local contacts, are calling the election for Hau by a margin of 140,000 votes. In 2002, incumbent Ma Ying-jeou won reelection over the DPP candidate by a margin of 384,291 out of 1.36 million votes. Though unlikely to win, Hsieh hopes to make a strong showing that will boost his viability as a potential DPP presidential candidate in 2008.

13. (C) Realizing he has no chance of winning a majority of

the overall votes, Hsieh has pinned his slim hopes for victory on a possible split in the pan-Blue vote between Hau and Soong. In the final days before the election, Hsieh has stepped up efforts to provoke friction among Hau, Soong, and KMT Chairman Ma Ying-jeou, in hopes of prompting significant numbers of Deep Blue voters to switch from Hau to Soong at the last minute. Taking the bait, Soong has attacked the KMT and Hau. However, Hau and the KMT have felt comfortable in ignoring Soong because of the wide and growing gap separating the two pan-Blue candidates. According to Tai, Hsieh's negative campaign tactics have been counterproductive, reducing projected votes for the DPP candidate from 41 to 38-39 percent. In addition, Hsieh's revelation of a recent secret meeting between Soong and KMT Chairman Ma Ying-jeou

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has fed the popular perception that Soong is a political opportunist, damaging rather than boosting Soong.

Kaohsiung Leaning to KMT

14. (C) The outcome of the race in Kaohsiung is still not certain, but according to our contacts, as well as local observers, KMT candidate Huang Chun-ying has a clear edge. Premier Su told the Director on December 7 that Huang is ahead by 6 percent, while Straits Exchange Foundation Chairman Chang Chun-hsiung suggested that Huang's lead one week ago was 3 percent. While the most recent public opinion polls in the pro-Blue media show Huang's lead at 12-14 percent, several AIT contacts have suggested the gap is actually much narrower because these polls do not capture "hidden" DPP supporters, who are reluctant to show their colors to the media, especially the pro-Blue media. Based on December 7 polling data analyzed with an election prediction

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model, Tai Li-an projects Huang Chun-ying will win 50.5 percent of the votes, Chen Chu 48 percent, and Taiwan Solidarity Union (TSU) candidate Lo Chih-ming 1.5 percent. The current betting odds on the Kaohsiung election, according to a December 8 media report, show Huang Chun-ying winning by 20,000 votes, with the report also noting that the margin has fluctuated between 10,000 and 20,000 votes over the past two days.

15. (C) Weighed down by corruption allegations involving President Chen and those closest to him, the DPP has faced an uphill battle in Kaohsiung. The enthusiasm of DPP supporters appears lukewarm at best, according to an AIT/K contact who has accompanied DPP candidates to local rallies and vote-canvassing trips to neighborhood and night markets. Other contacts suggest that in such a tight race last minute vote-buying efforts, which can increase voter turnout, could determine the outcome. A high-level official in the Kaohsiung Prosecutors Office told AIT/K on December 6 that already over a dozen people associated with city council campaigns from different parties have been detained for alleged vote-buying, and the authorities are stepping up efforts to monitor and crack down on such illegal activities. Because a high turnout of over 70 percent could benefit Chen Chu, the KMT is trying to avoid provocative statements or actions that might boost the numbers of DPP voters.

16. (C) Both major parties are focusing their final campaign efforts in Kaohsiung rather than in Taipei. Last minute developments could affect the outcome of this tight race. As a sign of the importance of this contest to both parties, President Chen and KMT Chairman Ma have vowed to stay in Kaohsiung for the 48 hours ahead of election day to campaign on behalf of their party candidates. In addition, Taiwan native President Chen has pledged to buy a home in Kaohsiung right away if the DPP wins the election and to move to the southern city after he leaves office in 2008. Chen has also suggested moving the capital from "Chinese Taipei" to "Taiwan's Kaohsiung." Some media outlets have speculated

that if the highly popular Taichung Mayor Jason Hu (KMT), whose wife was very seriously injured in a car accident after attending a rally for Huang, makes a surprise visit to Kaohsiung, the "sympathy factor" could boost votes for the KMT candidate. (Comment: She having just emerged two days ago from an 18-day coma, this scenario seems a bit outlandish to us. End Comment.)

Implications of the Elections

17. (C) Despite pressure to step down over corruption issues, President Chen Shui-bian will almost certainly stay in office regardless of the results of the December 9 elections. Because a DPP victory in Kaohsiung would maintain the current DPP-KMT balance, major changes in the political situation would be unlikely. Victory would mute the struggle within the DPP between forces loyal to President Chen and reformers. DPP Chairman Yu Shyi-kun would stay on, and Premier Su Tseng-chang, the party's leading presidential candidate for

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2008, would have flexibility to decide when to step down to launch his presidential campaign. The KMT would view a loss in Kaohsiung as only a temporary setback in its larger quest to return to power in the 2008 presidential election. As party chairman, Ma Ying-jeou would have to take formal responsibility for the defeat but he would not step down. While internal sniping at Ma by critics and rivals, including Legislative Yuan President Wang Jin-pyng, might increase, Ma remains the KMT's best hope to win the presidency in 2008.

18. (C) If the DPP loses Kaohsiung, party Chairman Yu Shyi-kun will immediately step down. The DPP central standing committee would select an acting chair, and the election by party members for a new chair would probably be held in January. Possible candidates for party chair could include perennial candidate Trong Chai, Frank Hsieh, and even possibly former DPP Chairman Lin I-hsiung, who left the party some months ago in protest over the corruption issue, but has

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come back to campaign for Chen Chu and Frank Hsieh. In addition to the departure of Yu Shyi-kun, Premier Su Tseng-chang might quickly offer to step down to take his

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share of responsibility for the defeats, but President Chen would try to persuade him to stay on for a period, perhaps until Su's one year anniversary in office in January, in the interests of political stability. Possible candidates for a future premier include outgoing acting Kaohsiung Mayor Yeh Chu-lan, Presidential Office Secretary General Mark Chen, Yu Shyi-kun, and Legislative Yuan President Wang Jin-pyng (KMT).

However, a proposal to appoint Wang would meet stiff resistance within the DPP, in the unlikely event that KMT Chairman Ma Ying-jeou approved the idea. (Note: Premier Su told the Director recently that he did not think that Wang would want to take on this rather tenuous position, rather than retaining his key role as LY Speaker. End Note.)

19. (C) A loss in Kaohsiung would exacerbate divisions within the DPP between Deep Green fundamentalists, loyal to President Chen, and party reformers, many associated with the New Tide faction or Premier Su. One initial question would be who to blame for the election defeat: President Chen, whose corruption scandals have undermined public support for the DPP, or New Tide reformers, criticized for damaging party unity. Despite rancor within the party, the pressure of preparing for upcoming legislative and presidential elections in 2007 and 2008 would probably keep the party relatively unified over the next year and a half. Chen Shui-bian may be tempted to focus on independence-related ideological issues, though AIT has made it clear this is opposed by the U.S. Government at the highest levels. The attraction for Chen is that such actions both appeal to his Deep Green support base

and help to cement his legacy as the president who consolidated the identity of Taiwan, separate from China, and the principle that the people of Taiwan have the right to determine their future.

¶10. (C) A KMT victory in Kaohsiung would strengthen Ma Ying-jeou's position as his party's presumptive presidential candidate and the person to beat in the 2008 election. Freed of his mayoral responsibilities, Ma will have more time to attend to party business and to prepare his run for the presidency. However, Ma first must get through the controversy over his mayoral special allowance; an indictment, even if he was subsequently cleared fully, would damage his presidential prospects.

¶11. (C) The Taipei and Kaohsiung elections may further damage the struggling smaller parties: the pan-Blue PFP and the pan-Green TSU. Some contacts believe this election will "finish" James Soong. In addition, two or more members of the ever shrinking PFP LY caucus are reportedly planning to bolt to the KMT after December 9, in hopes of running under the KMT banner in the next LY election in late 2007. During the campaign, the TSU expelled its Taipei candidate, who has earned a reputation for disruptive actions, especially at Frank Hsieh's election headquarters. Former President Lee Teng-hui may be blamed for poor judgment in picking the TSU's Taipei candidate. If Chen Chu loses by a margin less than the number of votes received by TSU candidate Lo Chih-ming, the TSU and Lee Teng-hui will come under heavy criticism and be blamed for losing Kaohsiung to the KMT.

¶12. (U) This cable is a joint product of AIT/T and AIT/K.
YOUNG